

Tulip Holding Corporation ("Tulip")

On December 29, 1989, the Enhanced Yield Retirement Fund I invested \$5,859,051 in Tulip. Such investment consisted of (a) \$4,394,288 aggregate principal amount of 14.50% Subordinated Notes due 1995, (b) \$1,464,763 in 15.00% Exchangeable Preferred Stock, and (c) 78,872 Warrants to purchase shares of common stock of Tulip Holding Corporation.

Tulip Holding Corporation is the leading producer of non-toxic dimensional fabric paint products.

Non-Managed Companies:

As of December 31, 1989, the Enhanced Yield Retirement Fund I had made no investments in Non-Managed Companies.

Investments by the Enhanced Yield Fund I,
Enhanced Yield Retirement Fund I
and Collateralized of Remittable Affiliates

COMPANY NAME	BUSINESS	SPONSOR	DATE OF ORIGINAL INVESTMENT	COUPON	SECURITY PURCHASED	MATURITY	ENHANCED YIELD FUND I			ENHANCED YIELD RETIREMENT FUND I			EQUITABLE AFFILIATES
							ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	
Western Pioneer, Inc.	Coastal freighters, tank farms, etc.	Leporeq. de Houffine	12/20/80	14.2502	Sr. Sub. Notes with Warrants	2000	\$ 14,200,560 174,240	11.111**	\$ 7,315,440 89,760	5.721**	\$ 11,084,000 136,000		
							\$ 14,374,800		\$ 7,405,200		\$ 11,220,000		
Mass Sed Service, Inc.	Producers & soils and	Linnelashire Mgmt.	12/22/80	14.0002	Sub. Notes with Warrants	1990	\$ 5,534,200 100,000	15.231	\$ 2,060,000 56,400	7.051	\$ 4,335,000 85,000		
							\$ 5,662,000		\$ 2,017,200		\$ 4,420,000		
U.S. Leather Holdings, Inc.*	Leather tanner	Deer Stearns	12/30/80	15.0002	Sr. Sub. Notes with Warrants	2000	\$ 22,920,400 237,000	11.901	\$ 10,013,600 202,400	9.411	\$ 40,000,000 540,000		
				8.0002	Pfd. Stock	2001	2,576,000		2,024,000		5,400,000		
							\$ 25,740,000		\$ 20,240,000		\$ 54,000,000		
Color Your World, Mfg. & Retailer Inc.	Mfg. & Retailer of paint & wallpaper	Wesray Cap Corp	1/5/89	14.5002	Sr. Sub. Notes with Warrants	1999	\$ 27,065,075 1,460,502	30.002	\$ 0	0.001	\$ 0		
							\$ 29,331,657		\$ 0		\$ 0		

* There was a partial sale of this investment. Please see p. 93.

** Assuming exercise of warrants and conversion of preferred stock.

COMPANY NAME	BUSINESS	SPONSOR	DATE OF ORIGINAL INVESTMENT	COUPON	SECURITY PURCHASED	MATURITY	ENHANCED YIELD FUND I			ENHANCED YIELD RETIREMENT FUND I			EQUITABLE AFFILIATES	
							ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	ORIGINAL COST OF INVESTMENT	ORIGINAL COST OF INVESTMENT
The Nicholson Companies	Specialty bookbinder	Gelder, Thomas & Cressy	1/12/89	14.000%	Sub. Notes with Warrants	1999	\$ 8,316,000 99,000	7.43%	\$ 4,284,000 31,000	3.82%	\$ 4,284,000 31,000	3.82%	\$ 4,280,000 50,000	
							\$ 8,415,000		\$ 4,335,000		\$ 4,335,000		\$ 4,250,000	
Metal Litho International, Incorporated	Lithography	Peter Medthe	2/17/89	14.500%	Sr. Sub. Notes with Warrants	1995	\$ 2,335,200 64,800	9.50%	\$ 1,167,600 32,400	4.90%	\$ 1,167,600 32,400	4.90%	\$ 1,362,200 37,800	
							\$ 2,400,000		\$ 1,200,000		\$ 1,200,000		\$ 1,400,000	
Pergament Home Centers, Inc.	Home improvement retailer	Mancuso	2/20/89 & 9/12/89	11.500% & 14.250%	Sr. Bridge Notes Sr. Sub. Notes Common Stock	1990 1999 -	\$ 32,504,244 17,136,000 2,380,000	9.52%	\$ 25,295,756 13,464,000 1,070,000	7.48%	\$ 25,295,756 13,464,000 1,070,000	7.48%	\$ 27,191,000 14,400,000 2,000,000	
							\$ 32,020,244		\$ 40,629,756		\$ 40,629,756		\$ 43,591,000	
Alopec Industries, Inc.	Mfg. of automatic pool cleaner	The Jordan Co.	3/7/89	14.250%	Sr. Sub. Notes Common Stock	1997 -	\$ 5,527,500 40,535	8.11%	\$ 2,722,500 19,965	3.99%	\$ 2,722,500 19,965	3.99%	\$ 6,750,000 49,500	
							\$ 5,568,035		\$ 2,742,465		\$ 2,742,465		\$ 6,799,500	
American Safety Razor Company	Mfg. of private label & industrial blades	The Jordan Co.	4/14/89 & 4/20/89 & 5/22/89	14.000% & 13.000% & 13.500%	Sr. Sub. Notes Sub. Notes-A Sub. Notes-B Common Stock	1999 1999 1999 -	\$ 6,716,750 13,507,500 3,350,000 131,132	12.96%	\$ 3,308,250 6,082,500 1,650,000 64,500	6.39%	\$ 3,308,250 6,082,500 1,650,000 64,500	6.39%	\$ 8,020,000 16,200,000 4,000,000 156,540	
							\$ 23,765,382		\$ 11,705,338		\$ 11,705,338		\$ 28,376,540	
United Savings Association of Texas, FSB	Savings and Loan Association	Hyperion Partners	5/24/89	13.000%	Sub. Capital Note	1999	\$ 15,075,000	0.00%	\$ 7,425,000	0.01%	\$ 7,425,000	0.01%	\$ 22,500,000	

COMPANY NAME	BUSINESS	SPONSOR	DATE OF ORIGINAL INVESTMENT	COMMON	SECURITY PURCHASED	MATURITY	ENHANCED YIELD FUND I			ENHANCED YIELD RETIREMENT FUND I			EQUITABLE AFFILIATES
							ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	ORIGINAL COST OF INVESTMENT	COMMON EQUITY OWNERSHIP AT PURCHASE	ORIGINAL COST OF INVESTMENT	ORIGINAL COST OF INVESTMENT	
Perfect Fit, Inc.	Bedroom furniture accessories	Ventur Cap Partners	3/26/89	14.000X	Sr. Sub. Notes Warrants	1999	\$ 5,025,000 83,750	6.70X	\$ 2,475,000 41,250	3.30X	\$ 7,500,000 125,000		
JP Feedservice, Inc.	Feed service distribution	Chase Manhattan	7/3/89	13.750X	Sr. Sub. Notes with Warrants Common Stock	1999	\$ 17,356,810 50,600 2,312,500	13.28X	\$ 8,637,535 24,945 1,237,500	6.54X	\$ 8,724,780 25,250 1,250,000		
BI Holdings Inc.	Juke boxes, bill acceptors, currency changers	Merrill Lynch Cap.	9/1/89	14.000X	Sr. Sub. Notes Common Stock	1999	\$ 11,055,000 3,049,340	8.11X	\$ 5,445,000 1,581,910	3.99X	\$ 13,500,000 3,723,750		
American Paper Group, Inc.	Commercial envelopes	[To be completed by amendment.]	10/10/89	14.000X	Sub. Notes Warrants Common Stock	1999	14,104,340		6,946,910		17,223,750		
Tulip Holding Corporation	Fabric paint products	[To be completed by amendment.]	12/31/89	14.500X 15.000X	Sub. Notes Ex. Pref. Stock	1995							
TOTAL OF 15 TRANSACTIONS As of December 31, 1989							5,527,500		2,722,500				
							11,373,450		6,946,910				
							\$238,586,958		\$127,632,322				

The Equitable Life Assurance Society of the United States

Equitable Life is one of the nation's largest life insurance companies, and together with its subsidiaries, is a major diversified financial services enterprise with over \$115.9 billion in assets under management. Equitable Life is one of the largest pension fund managers in the United States. It had approximately \$66.3 billion in pension assets under management at December 31, 1988.

Description of Mezzanine-type Investment Portfolio of Equitable Capital and Affiliates

From January 1983 through September 30, 1989, Equitable Capital and its predecessor have advised Equitable Life and the Equitable Affiliates, including the Equitable Capital Partners Funds I and the Institutional Fund I, with respect to mezzanine-type investments in 86 companies. Acquisition prices for companies in which Equitable Affiliates made a significant investment range from approximately \$9 million to approximately \$3 billion. In these transactions Equitable Affiliates invested \$2.0 billion in subordinated debt, \$460 billion in equity investments and \$528 million in senior debt. As of September 30, 1989, Equitable Affiliates received prepayments and/or repayment of principal of \$206 million. Such investments are in companies spanning a broad range of industries, including manufacturing, retailing, broadcasting and service businesses.

As of September 30, 1989, Equitable Life and the Equitable Affiliates have sold or otherwise disposed of 21 of such investments. The total cost of such investments which have been sold or otherwise disposed of, in part or in their entirety, was approximately \$337.6 million. The total value of the cash proceeds and/or marketable securities received from the sale or disposition of such investments was approximately \$464.5 million. The average holding period of these investments was 1.8 years.

In July 1989, Equitable and the other significant shareholders of Burlington exchanged their shares of Burlington Holdings, one of the mezzanine investments, for shares of a newly-formed holding company, Burlington Industries Capital Inc. ("Capital"). Capital's assets now consist solely of the capital stock of Burlington Holdings. Also in July 1989, Burlington Industries established an ESOP, which purchased

approximately 16% of the fully-diluted common equity of Capital for an aggregate purchase price of \$112.5 million. In August 1989, Burlington declared a special dividend of \$175 million of which \$59 million has been treated as a taxable dividend. The Equitable Affiliates still hold 4,375,000 shares of Common Stock, which had an initial cost of \$43,750,000. From the entire transaction, the Equitable Affiliates received total proceeds of \$61,355,294 and the transaction reduced the current cost value of the equity to \$15.6 million.

Included within the 86 mezzanine-type investments are _____* investments which are on Equitable Capital's "surveillance list". Such list covers investments in Portfolio Companies, the economic circumstances of which are at least uncertain enough to warrant close surveillance. The aggregate purchase price of such investments constituted approximately ____% of the \$3 billion aggregate purchase price of mezzanine type investments in which Equitable Capital has participated.

As of _____, * the surveillance list included _____* investments which have been restructured and _____* investments with respect to which Equitable Capital has agreed or expects to agree to defer interest payments. Such investments represent approximately _____% and _____%, respectively, of the total \$3 billion of such mezzanine-type investments.

Investors in the Funds will have no interest in any of the investments described above.

There can be no assurance that Equitable Capital will be able to duplicate its historical performance or invest in similar transactions on behalf of the Funds. See "Risk and Other Important Factors -- General Risks of Investments in the Funds".

The Managing General Partner

Each Partnership Agreement provides that the Managing General Partner is responsible for supervising the Investment Adviser with respect to investments for the related Fund which its Independent General Partners have reviewed for compliance with the Guidelines or otherwise

* To be completed by amendment.

approved, for providing administrative services necessary for the operation of such Fund and for the admission of additional or assignee Limited Partners to such Fund. In performing these duties, Equitable Capital, as Managing General Partner, is subject to the supervision of the Independent General Partners. See "The Independent General Partners" below. Equitable Capital, as the Managing General Partner of each Fund, will contribute a promissory note or notes (the "MGP Note") to such Fund in a principal amount equal to 1.01% of the Net Capital Contributions of such Fund's Limited Partners (the principal amount of which note will be reduced proportionally as such Limited Partners receive distributions representing returns of capital), and will receive 1% of all distributions representing income or capital gains by such Fund and the Incentive Distributions. Equitable Capital will also receive the allocation of profits and losses described below under "Distributions and Allocations". The Funds consider that the Partnership Agreement of each Fund, as it relates to the duties of Equitable Capital as the Managing General Partner and to the allocations and distributions to Equitable Capital constitutes an investment advisory agreement under the Investment Company Act and in such regard each Partnership Agreement will comply with the provisions of the Investment Company Act.

Equitable Capital, as the Managing General Partner, will also receive an administrative fee (the "Fund Administration Fee") from each Fund, payable quarterly in advance, equal to (i) for each of the first four years of operation of each Fund, an annual amount equal to the greater of (x) 1% of the gross offering proceeds of the Units in such Fund but not greater than \$500,000 (the "Minimum Fee") and (y) .45% of the amount of the Net Proceeds Available for Investment for such Fund, (ii) for each of the next four years, the greater of (x) the "Minimum Fee" and (y) (1) .45% of the excess of the aggregate amount of Net Proceeds Available for Investment for both Funds over 50% of the amount of both Funds' capital reductions, but in no event exceeding in the aggregate the sum of \$3.2 million and all direct out-of-pocket expenses incurred in connection with the administration of the smaller of the two Funds, (2) multiplied by a fraction the numerator of which is the Units in the Fund with respect to which the Fund Administration Fee is payable and the denominator of which is the number of Units of both Funds, and (iii) for each year thereafter, the annual sum of \$300,000, in the case of the Enhanced Yield Fund II, and

\$100,000 in the case of the Enhanced Yield Retirement Fund II, plus all direct out-of-pocket expenses incurred on behalf of such Fund in connection with its management but in no event exceeding in the aggregate \$2.5 million, in the case of the Enhanced Yield Fund II, and \$1.0 million, in the case of the Enhanced Yield Retirement Fund II. For the purpose of calculating the Fund Administration Fee with respect to a Fund, "capital reductions" consists of the cumulative amount of capital distributed to the Partners by such Fund and realized losses from investments through the end of the preceding quarter. The Fund Administration Fee is intended to reimburse the Managing General Partner for its expenses and provide a fee for the provision by Equitable Capital and the Administrator to a Fund of administrative services (see below); provided, however, that Equitable Capital or the Administrator will be separately reimbursed for its actual out-of-pocket annual ordinary legal expenses in excess of \$100,000, extraordinary fees and expenses, statutory insurance and bonding expenses and any optional insurance and bonding expenses permitted by the Investment Company Act. The Fund Administration Fee will also cover the fees and expenses of each Fund's independent accountants and custodian. The Independent General Partners of a Fund may approve an increase to such fee, without the consent of the Limited Partners of such Fund, to reflect properly the market value of services rendered.

The Administrator

Each Fund and Equitable Capital will enter into an Administrative Services Agreement (collectively, the "Administration Agreements") with ML Fund Administrators Inc. (the "Administrator"), a Delaware corporation and an affiliate of Merrill Lynch & Co., Inc., the parent of MLPF&S. Pursuant to the Administration Agreements, the Administrator will be responsible for the day-to-day administrative affairs of the Funds and for the management of the accounts of Limited Partners.

Equitable Capital will assign to the Administrator its right to receive the Fund Administration Fee payable with respect to each Fund and any reimbursements for certain expenses, set forth above. The Administrator will provide the Funds, at the Administrator's expense, with office space, facilities, equipment and personnel necessary to carry out its obligations under such agreements and such other services as Equitable Capital and the

Fund Administrator, subject to supervision by the Independent General Partners, shall from time to time determine to be necessary and appropriate. The Fund Administration Fee is expected to increase proportionally with any proceeds to a Fund from a foreign offering. See "Foreign Offering".

The Administrator will coordinate investor relations services for each Fund on behalf of Equitable Capital. The Funds' investor relations representative is accessible at (800) 288-3694 during business hours.

The Independent General Partners

Initially each of the Funds will have four Independent General Partners, although the Partnership Agreements permit their number to be increased to nine. Each of the Funds may initially have the same Independent General Partners. The Independent General Partners will provide overall guidance and supervision with respect to the operations of the Funds and will perform the various duties imposed on the directors of business development companies by the Investment Company Act. The Independent General Partners will supervise Equitable Capital and will be required to approve all Guidelines for investments, review all Guideline transactions for compliance with the Guidelines and approve all non-Guideline transactions. In addition, if a Portfolio Company has defaulted in a material respect on payments due under a lending agreement, whether senior debt or mezzanine debt, or the ratio of earnings before interest, taxes and depreciation, to cash fixed charges of such company, as set forth in the Portfolio Company's latest available financial statements, is less than or equal to 1.1:1 (a "troubled company"), then any changes in the terms of the Funds' investment therein would require the approval of the Independent General Partners. In addition to general duties as general partners of the Funds, the Independent General Partners, among other things will supervise the management and underwriting arrangements of the Funds, the custody arrangement with respect to Fund investments, the selection of accountants, fidelity bonding and transactions with affiliates. The Independent General Partners will review quarterly the nature and extent of coinvestments by the Funds and Equitable Affiliates and will receive within thirty days of the beginning of each quarter, reports from Equitable Capital on the amount of capital available on the part of

Equitable Affiliates for investment in Enhanced Yield Investments as of the beginning of such quarter to assist in such review. All actions taken by the Independent General Partners will be taken by majority vote, unless a higher percentage is required by law.

The Funds and Equitable Capital are seeking an order from the SEC determining that (i) the Independent General Partners of each Fund are not "interested persons" of such Fund or Equitable Capital, as the managing general partner of and investment adviser to each Fund within the meaning of Section 2(a)(19) of the Investment Company Act solely by reason of being general partners of the Fund and co-partners of Equitable Capital, and (ii) persons who become Limited Partners of a Fund who own less than 5% of the Units in such Fund will not be "affiliated persons" of a Fund or any of its other Partners solely by reason of their status as Limited Partners.

The four Independent General Partners of the Funds are Robert W. Lear, Alton G. Marshall, Robert F. Shapiro and Dr. William G. Sharwell.

Robert W. Lear, age 71, has been an Executive-in-Residence and Visiting Professor at the Columbia University Graduate School of Business since prior to 1983. Mr. Lear was a director of Church & Dwight Co. (baking soda manufacturing) from 1973 to 1989. He is currently a director of Cambrex Corp. (specialty chemical manufacturing), the Crane Co. (diversified light industrial manufacturing), and the Korea Fund (a closed-end investment fund). Mr. Lear is a trustee of the Scudder Capital Growth, Development, Equity Inc., Global and International Funds (mutual funds) and a member of the advisory boards of Chemical Bank and the Welsh, Carson, Anderson, Stowe Venture Capital Funds. He is also a director of Medusa Corporation and W. Cat Systems, Inc.

Alton G. Marshall, age 67, has been the Chairman and Chief Executive Officer of Lincoln Savings Bank since 1984. He is also director of New York State Electric and Gas Corporation and EQK Green Acres (a real estate investor). He is trustee of EQK Realty Investors I, and the Chairman of the Boards of Trustees of The Equitable Trust and Prism Investment Trust, both of which are mutual funds.

Robert F. Shapiro, age 53, is the President of RFS & Associates, Inc. (consultants and investments). From 1986 to 1987 he was the Co-Chairman of Wertheim Schroder & Co. Inc. (investment bankers) and from 1975 to 1986 he was the President of its predecessor, Wertheim & Co. Inc. Mr. Shapiro is a director of TJX Companies, Inc. (specialty retailing) and Burnham Fund, Inc. (mutual fund). Mr. Shapiro was Chairman of the Securities Industry Association in 1985.

William G. Sharwell, age 69, has been the President of Pace University since 1984. He is also director of Crossland Savings Bank, U.S. Life Corporation and United States Life Insurance Company.

Each Independent General Partner will receive an annual fee based on the following formula, together with all out-of-pocket expenses relating to attendance at meetings of the Independent General Partners, in addition to the sum of \$500 for each meeting of the Independent General Partners attended by such Independent General Partner, and if a committee is appointed by the Independent General Partners, the sum of \$500 for each such committee meeting attended (provided, however, that if such committee meeting is held on the same day as a meeting of Independent General Partners the sum paid for attendance at such committee meeting shall be \$250):

(a) if the aggregate amount of the Net Capital Contributions for the Funds is equal to or greater than such aggregate amount for the Equitable Capital Partners I Funds, the annual fee is, for each Fund, equal to the sum of \$30,000 for each of the first three years of the operations of the Funds and \$15,000 for each year thereafter; or

(b) if the aggregate amount of the Net Capital Contributions for the Funds is less than such aggregate amount for the Equitable Capital Partners I Funds, (i) for the Enhanced Yield Fund II, an annual fee calculated by multiplying each of the amounts in (a) above by a fraction the numerator of which is the aggregate amount of the Net Capital Contributions for the Enhanced Yield Fund II and the denominator of which is the aggregate amount of the net capital contributions for the Enhanced Yield Fund I and (ii) for the Enhanced Yield Retirement Fund II, an annual fee calculated by multiplying each of the amounts in (a) above by a fraction the numerator of which is the

aggregate amount of the Net Capital Contributions for the Enhanced Yield Retirement Fund II and the denominator of which is the aggregate amount of the net capital contributions for the Enhanced Yield Retirement Fund I.

Compensation paid to the Independent General Partners, including fees for any special services performed, must be approved by a majority of the General Partners.

Responsibility of the General Partners

The General Partners are under a duty to conduct the affairs of each Fund in the best interests of such Fund and consequently must exercise good faith and integrity in handling its affairs. Prospective Limited Partners who have questions concerning the duties of the General Partners should consult with their counsel.

The Partnership Agreement provides that the General Partners of a Fund will not be liable to it or to its Limited Partners for any act or omission performed or omitted by them in good faith but only for any act or omission not constituting gross negligence, bad faith, willful misfeasance or reckless disregard of the duties of a General Partner (or, in the case of the Managing General Partner, for any act or omission not constituting any of the foregoing, negligence or misconduct). Each of such General Partners will be indemnified to the fullest extent permitted by law by such Fund for any liability incurred by such General Partner arising out of his, her or its activities as a general partner of such Fund, except for any liability arising out of gross negligence, willful misfeasance, bad faith or reckless disregard of the duties of a General Partner on the part of such General Partner (or, in the case of the Managing General Partner, any liability not arising out of any of the foregoing, negligence or misconduct). In addition, Equitable Capital has agreed to indemnify the Independent General Partners of a Fund for liabilities not arising out of gross negligence, bad faith or willful misfeasance to the extent such Fund does not indemnify the Independent General Partners for such liability up to an aggregate limit of \$100 million. See "Indemnification of the General Partners by the Funds" and "Indemnification of the Independent General Partners by the Managing General Partner" under "Summary of the Partnership Agreement".

Equitable Life has authorized the indemnification by Equitable Life of the Independent General Partners for liabilities arising out of their service as general partners of the Funds, to the extent permitted under applicable law.

In the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act is against public policy and, therefore, unenforceable.

Expenses

The organizational and offering expenses of the Funds, including accounting, legal, printing, clerical and other expenses and registration and filing fees, estimated at \$3,250,000 if the maximum number of Units offered hereby is sold, incurred by Equitable Capital, the Administrator or any of their affiliates on behalf of the Funds and the legal expenses of MLPF&S in connection with the organization of the Funds and this offering will be reimbursed by the Funds to the extent that such expenses, together with those paid by the Funds, do not exceed \$6,000,000 in aggregate for both Funds or, together with the amount of the selling commissions, financial advisory fees and marketing sales expense reimbursements payable to MLPF&S, 15% of the total offering proceeds of each Fund. Any amounts in excess of such amount will be borne by Equitable Capital. The organizational and offering expenses of the Funds will be allocated among the Funds pursuant to the ratio of the number of Units sold by each of the Funds.

Following commencement of operations by the Funds, the Administrator, on behalf of Equitable Capital as the Managing General Partner, will provide the Funds, at its expense, with office space, facilities, equipment and personnel necessary for the administration of the Funds and the accounts of Limited Partners. Equitable Capital, as Investment Adviser, will pay for ordinary expenses associated with the management of the portfolio investments of the Funds including the expenses of investigating investment opportunities, arranging and financing Enhanced Yield Investments and monitoring Portfolio Companies. The Funds will pay their pro rata share of all expenses of third parties, such as legal counsel, appraisers and independent business consultants hired or used for work done on behalf of the Funds in connection with the

investigation, negotiation, purchase, holding and sale of actual or proposed Enhanced Yield Investments and any registration fees incurred in connection with any such sale. Such outside expenses will typically be paid by the Portfolio Company; however, if they are not so paid they will be borne by each Fund pro rata with other investors, if any, in proportion to its investment in such company. See "Description of the Investment Advisory Agreements" above. The Administrator will pay all other ordinary expenses relating to the Funds' administration, including fees and expenses for regular legal (not to exceed \$100,000 annually), auditing and consulting services, costs of printing and mailing proxies and reports to Limited Partners and custodian fees. Annual ordinary legal expenses in excess of \$100,000 per year, expenses associated with litigation, and other extraordinary or nonrecurring expenses, as well as expenses of statutory and optional insurance and bonding, as permitted by the Investment Company Act, and fees and expenses, including legal fees and expenses, of the Independent General Partners, will be paid by the Funds. The Independent General Partners are authorized to retain consultants for the Funds, at the expense of the Funds, and consultants may be utilized under special circumstances with respect to particular Enhanced Yield Investments.

Each Fund will, as stated above, also pay the Investment Advisory Fee to Equitable Capital, as Investment Adviser, and the Fund Administration Fee to Equitable Capital, as Managing General Partner. See "Management Arrangements -- Description of the Investment Advisory Agreements" and "-- The Managing General Partner."

Compensation and Fees to the General Partners, the Investment Adviser, the Selling Agent and their Affiliates.

The following table fully discloses all compensation that may or will be paid by the Funds directly or indirectly to the General Partners, the Investment Adviser, and their affiliates in connection with the formation of the Funds, offering and sale of the Units, and acquisition, financing, operation, management and sale of Portfolio Companies by the Funds as well as all compensation paid by the Funds to MLPF&S, as selling agent. (For a more complete description, and an explanation of the capitalized terms used in the following

table, see "Prospectus Summary", "Estimated Use of Proceeds", "Investment Objective and Policies", "Management Arrangements", "Distributions and Allocations", "Summary of the Partnership Agreement", and "Conflicts of Interest" and the form of Partnership Agreement attached to this Prospectus as Exhibit A.) The compensation and fees to the General Partners, the Investment Adviser, and their affiliates were not determined by arm's-length negotiations with the Funds. However, the terms and conditions of such compensation are intended to be consistent with compensation payable for services in comparable transactions. For example, assuming gross offering proceeds of \$50,000,000 for each Fund and Net Proceeds Available for Investment of \$44,375,000, the total Fund Administration Fee for both Funds would be \$1,000,000, or approximately 1 1/8% of aggregate Net Proceeds Available for Investment, plus certain reimbursements and subject to certain adjustments after the fourth year of operations. Assuming gross offering proceeds of \$50,000,000 for each Fund and Net Funds Available for Investment (i.e., Available Capital) of \$66,562,500 and \$44,375,000 for the Enhanced Yield Fund II and the Enhanced Yield Retirement Fund II, respectively, the total Investment Advisory Fee for both Funds would be \$2,000,000, or approximately 1.50% and 2.25% of Net Funds Available for Investment for each respective Fund, subject to certain reductions and plus certain reimbursements. For the purposes of the following fee computations, the gross offering proceeds are computed on the basis of \$1,000 per Unit, without regard to volume discounts in the selling commissions or financial advisory fees. The actual dollar amounts of compensation and fees that may be payable to the General Partners, the Investment Adviser, MLPF&S, or their affiliates are not determinable at this time.

**Type of Compensation
and Persons to Whom Paid**

Selling commissions payable
to MLPF&S as selling agent.

Financial advisory fee
payable to MLPF&S.

Marketing and sales expense
reimbursement payable to
MLPF&S as selling agent.

Offering and organizational
expenses reimbursable by
the Funds to the Investment
Adviser, the Managing
General Partner, the Fund
Administrator and their
Affiliates.

Compensation

6% of the public offering
price of the Units sold, or
less if 500 or more Units
are purchased by any
subscriber. See "Offering
and Sales of Units --
Offering of Units".

1-1/2% of the public
offering price of the Units
sold, or less if 500 or more
Units are purchased by any
subscriber, for services
rendered in connection with
the structuring of the
offering. See "Offering
and Sale of Units --
Offering of Units".

Actual marketing and sales
expenses up to 1/2% of the
public offering price of the
Units sold. See "Offering
and Sales of Units --
Offering of Units".

Legal, accounting, printing
and other expenses of the
offering, including the
legal fees and expenses of
MLPF&S as selling agent,
which are estimated at
\$3,250,000 for the 75,000
Unit combined minimum, but
in no event shall exceed
\$6.0 million in the
aggregate for both Funds
or, together with the
amount of the selling
commissions, financial
advisory fees and marketing
and sales expense
reimbursements payable to

MLPF&S, 15% of the total offering proceeds of each Fund. See "Management Arrangements -- Expenses" and "Estimated Use of Proceeds".

Fund Administration Fee payable to the Managing General Partner and the Fund Administrator.

Each year the Managing General Partner will receive and assign to the Fund Administrator a quarterly administrative fee (the "Fund Administration Fee"), equal to an annual amount equal to the greater of (x) 1% of the gross offering proceeds of the Units in such Fund but not greater than \$500,000 (the "Minimum Fee") and (y) 0.45% of the amount of Net Proceeds Available for Investment for such Fund, subject to certain adjustments after the fourth year of operations. The Fund Administrator will perform administrative services for the Funds and will be responsible for the payment of all ordinary administrative expenses of the Funds, including annual ordinary legal expenses up to \$100,000 and payment of the fees and expenses of the Funds' custodian and their independent accountants, but excluding annual ordinary legal expenses in excess of \$100,000, extraordinary legal and related expenses and certain expenses of insurance and bonding, which will be borne by the Funds. See "The Managing General Partner" under "Management Arrangements".

Fees and expenses payable to the Independent General Partners.

Each Independent General Partner will receive an annual fee based on the following formula, together with all out-of-pocket expenses relating to attendance at meetings of the Independent General Partners, in addition to the sum of \$500 for each meeting of the Independent General Partners attended by such Independent General Partner, and if a committee is appointed by the Independent General Partners, the sum of \$500 for each such committee meeting attended (provided, however, that if such committee meeting is held on the same day as a meeting of Independent General Partners the sum paid for attendance at such committee meeting shall be \$250):

(a) if the aggregate amount of the Net Capital Contributions for the Funds is equal to or greater than such aggregate amount for the Equitable Capital Partners I Funds, the annual fee, for each Fund, equal to the sum of \$30,000 for each of the first three years of the operations of the Funds and \$15,000 for each year thereafter; or

(b) if the aggregate amount of the Net Capital Contributions for the Funds is less than such aggregate amount for the Equitable Capital Partners I Funds, (i) for the Enhanced Yield Fund II, an annual fee calculated by multiplying each of the amounts in (a) above by a fraction the numerator of which is the aggregate amount of the Net Capital Contributions for the Enhanced Yield Fund II and the denominator of which is the aggregate amount of the net capital contributions for the Enhanced Yield Fund I and (ii) for the Enhanced Yield Retirement Fund II, an annual fee calculated by multiplying each of the amounts in (a) above by a fraction the numerator of which is the aggregate amount of the Net Capital Contributions for the Enhanced Yield Retirement Fund II and the denominator of which is the aggregate amount of the net capital contributions for the Enhanced Yield Retirement Fund I.

Compensation paid to the Independent General Partners, including fees for any special services performed, must be approved by a majority of the General Partners. See "Management Arrangements -- The Independent General Partners".

Investment Advisory Fee payable to the Investment Adviser.

Each Fund will pay Equitable Capital a quarterly fee (in advance) (the "Investment Advisory Fee"), at an annual rate equal in amount to the greater of (i) \$2,000,000 multiplied by a fraction, the numerator of which is the number of Units outstanding of such Fund and the denominator of which is the aggregate number of Units outstanding of both Funds and (ii) a fee calculated at the annual rate of 1% of such Fund's Available Capital, subject to certain reductions. See "Management Arrangements -- Description of the Investment Advisory Agreements".

Fees reimbursable to the Investment Adviser.

Equitable Capital will bear the ordinary operating expenses of each of the Funds relating to portfolio investments, including the expenses of investigating investment opportunities, negotiating and financing Enhanced Yield Investments, monitoring Portfolio Companies and certain expenses of selling Enhanced Yield Investments. Each Fund will pay its pro rata share of all expenses of third parties, such as legal counsel, appraisers and independent business consultants, investment bankers and accountants hired or used by Equitable Capital in connection with

the investigation, negotiation, purchase, holding and sale of actual or proposed Enhanced Yield Investments and Temporary Investments and any registration fees incurred in connection with any such sale. Portfolio Companies usually bear the expenses of such third parties, in which event the Funds will not be obligated to pay any of them. The Funds will also reimburse Equitable Capital, as investment adviser, for their pro rata share of the fees and expenses of the law department of Equitable Life paid by Equitable Capital in connection with any such purchase, holding or sale in which the Funds participate.

Reimbursement of certain specific expenses of the General Partners and the extraordinary or Fund Administrator.

Expenses associated with litigation and other extraordinary or nonrecurring expenses, as well as the annual ordinary legal expenses of the Funds paid by the Fund Administrator in excess of \$100,000, extraordinary legal expenses, expenses of statutory and optional insurance and bonding, as permitted by the Investment Company Act, and expenses of the Independent General Partners will be paid by the Funds. See "Management Arrangements -- Expenses".

Distributions to the
Managing General Partner.

The Managing General Partner of the Funds will receive the distributions described in "Distributions and Allocations". The Managing General Partner will not receive any distributions of Distributable Cash from Enhanced Yield Investments and Distributable Capital Proceeds from Enhanced Yield Investments (other than from a return of capital) if such distributions would result in the Managing General Partner receiving more than 20% of all such distributions.

Each Fund will, as stated above, also pay the Investment Advisory Fee to Equitable Capital, as Investment Adviser, and the Fund Administration Fee to Equitable Capital, as Managing General Partner. See "Description of the Investment Advisory Agreements" and "The Managing General Partner" under "Management".

CONFLICTS OF INTEREST

Equitable Capital and the Equitable Affiliates and MLPF&S, which is acting as selling agent in the offering made hereby, may be subject to various conflicts of interest in their relationships with the Funds. The arrangements among the Funds, Equitable Capital and their affiliates have been established by Equitable Capital and are not the result of arm's-length negotiation by the Funds. The conflicts of interest include:

1. *Transactions with the Funds.* Article Five of the Partnership Agreement imposes various constraints on Equitable Capital in its dealings with the Funds; and the terms and conditions of and compensation for services rendered by a General Partner or its affiliates to the Funds are intended to be consistent with and governed by industry norms. Furthermore, the Investment Company Act contains restrictions as to certain transactions between a

Fund and its affiliates. See "Regulation." Generally, transactions involving a Fund and affiliates of Equitable Capital must receive the prior approval of the SEC or such Fund's Independent General Partners. Transactions between a Fund and any General Partner (including Equitable Capital), any director, officer or employee of any of them, or any person or entity directly or indirectly controlling, controlled by or under common control with any of them, will generally require the approval of the SEC. Transactions between a Fund and persons who are otherwise affiliated with such Fund or any General Partner will generally require the approval of the Independent General Partners of the Fund. Moreover, Equitable Capital will be subject to a duty to each Fund in evaluating the capabilities, services and compensation of persons rendering services to such Fund.

2. *Conflicts with Respect to Investment Opportunities.* Equitable Affiliates will invest directly in investments that would be appropriate investments for the Funds. Affiliates of Equitable Capital may also serve as directors or officers or perform investment advisory services for other investment entities with investment objectives and policies similar to those of the Funds, such as other partnerships sponsored or managed by Equitable Capital.

In order to prevent or minimize conflicts of interest between the Funds, on the one hand, and Equitable Capital and the Equitable Affiliates, on the other hand, Equitable Capital has agreed that all investments proposed as Enhanced Yield Investments generally will be allocated among the Funds and the Equitable Affiliates according to the ratio of Available Capital which each such entity, including the Funds, has indicated is available for investment in Mezzanine, Other or Bridge Investments, as the case may be. Further, subject to the final terms of the SEC order authorizing coinvestment, the Funds together have the right to an allocation of at least 25% of any proposed Enhanced Yield Investment that meets the Funds' investment objective, policies and restrictions during the period that the Equitable Capital Partners I Funds are entitled to a 25% allocation right of any such proposed investment (i.e. from the date that the Equitable Capital Partners I Funds are 75% fully invested through the date they first become fully invested). Any Follow On Investments will be allocated, as a general matter, to the Funds and Equitable Affiliates according to the amount

that each such investor initially invested in Mezzanine, Bridge or Other Investments in a Portfolio Company. Equitable Capital may grant to Equitable Affiliates similar rights to allocation of Enhanced Yield Investments subject to the rights of the Funds and the Equitable Capital Partners I Funds and provided that no Equitable Affiliate will have the right to an allocation that is greater than the allocation right in effect for the Funds. Equitable Capital has granted an allocation right to the Institutional Fund I which is in effect until such Fund becomes 90% invested, after which it has no allocation right. Equitable Capital expects that Institutional Fund I will have invested more than 90% of its capital by the time the Funds commence operations. See "Management -- Institutional Funds" above.

Equitable Capital may offer to third parties the opportunity to invest in any proposed Enhanced Yield Investment which does not meet the applicable Guidelines, provided such investment is first offered to the Funds but is rejected by the Independent General Partners. However, Equitable Capital may not consummate any such transactions with a third party (i) on terms materially more favorable than those offered to the Funds, or (ii) more than 120 days after the Funds' rejection of the investment without reoffering the investment to the Funds.

3. *Conflict between Holders of Different Levels of Securities.* Although the Funds and the Equitable Affiliates in making Enhanced Yield Investments in a Portfolio Company will invest in the same classes of securities in the same proportions, Equitable Affiliates may also invest in loan participations representing interests in senior bank debt issued by such company independent of the Funds' investment. Further, even without such an investment, subsequent events could result in a Fund and one or more Equitable Affiliates holding different proportions of debt and equity. An Equitable Affiliate may have held securities of a Portfolio Company prior to the issue by such company of an Enhanced Yield Investment. Investment objectives or the need for liquidity may cause either a Fund or an Equitable Affiliate to sell a portion of an investment. Follow On Investments may also result in a Fund and the Equitable Affiliates holding different proportions of securities. For example, in the event a Portfolio Company becomes financially troubled, the Funds and the Equitable Affiliates may be offered the opportunity to invest in such

Portfolio Company under circumstances in which either or both the Enhanced Yield Fund II and the Enhanced Yield Retirement Fund II has no capital available for investment. If a Fund's investment in a Portfolio Company contains a different proportion of senior debt, subordinated debt and equity interests than that held by an Equitable Affiliate and such Portfolio Company is unable to meet its interest or dividend payments to such Fund, the best interests of such Fund and such affiliate may diverge. For example, if such Fund's investment is largely equity and the Equitable Affiliate's investment is in debt, the best interests of such affiliate, but not such Fund, may be in enforcing such affiliate's rights as creditor. Such actions may extinguish or materially impair the equity investment of the Fund.

In order to mitigate conflicts of interest (i) Equitable Affiliates may not in the aggregate purchase loan participations in senior bank debt which evidence greater than 15% of the principal amount of any such class of senior bank debt unless the Funds also invest proportionally in such senior debt; (ii) the Guidelines require that an Equitable Affiliate must coinvest in any Enhanced Yield Investment issued by a Portfolio Company if, prior to the time of investment, Equitable Affiliates in the aggregate owned and still hold more than 10% of the aggregate principal amount of debt securities issued by such company or 10% of its equity securities or the Independent General Partners must specifically approve such investment; (iii) the Funds will have the right to participate proportionately in any sale of a security which is part of an Enhanced Yield Investment by an Equitable Affiliate (see "Investment Objective and Policies -- Investment Operations: Liquidating Investments"); and (iv) neither Equitable Capital nor any Equitable Affiliate will invest in the senior debt of any troubled Portfolio Company unless each Fund holding securities issued by such company is given the opportunity to make a similar investment which is in the same proportion to the investment of the Equitable Affiliate as the proportion of the then outstanding investment in such company by the Funds and such affiliate. In addition, in order to mitigate conflicts of interest with respect to Sponsor Limited Partnerships, if a Fund proposes to invest in or dispose of securities of a Portfolio Company in which a Sponsor Limited Partnership invests, such a transaction will be subject to approval by a majority of